IMF SURVEY

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States of Former Soviet Union Set to Join IMF and World Bank

At last month's spring meetings of the Interim Committee (of the Boards of Governors of the IMF) and the Development Committee (Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries), officials warmly welcomed the approval of membership of the states of the former Soviet Union in the Bretton Woods institutions. They also stressed the urgency of implementing the quota increase for the IMF and of bringing the Uruguay Round of multilateral trade negotiations to a speedy and successful conclusion. In addition, both committees lauded the implementation by Paris Club creditors of greater debt relief for low-income countries and the progress made on commercial bank debt-restructuring agreements.

Welcoming the "courageous initial steps" taken by the states of the former Soviet Union toward building market-oriented economies, the Interim Committee stressed the need for firm financial and structural policies to supplement the price liberalization measures already adopted.

IMF Managing Director Michel Camdessus (left) and Interim Committee Chairman Carlos Solchaga.

The prompt implementation of strong IMF-supported programs of stabilization and reform *(Please turn to page 154)*

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SPRING MEETINGS

Interim Committee Communiqué. . .

Strong IMF-Supported Programs Essential In States of Former Soviet Union

Following is the press communiqué issued after the meeting of the Interim Committee of the Board of Governors of the International Monetary Fund on April 27–28 in Washington:

1. The Interim Committee held its thirty-eighth meeting in Washington, D.C. on April 27–28, 1992 under the chairmanship of Mr. Carlos Solchaga, Minister of Economy and Finance of Spain.

2. The Committee noted that aggregate growth in the industrial countries is expected to be low this year, because the recession in several countries has proved more persistent than expected, and growth has slowed in other countries. However, there are now signs that recovery is under way in a context of a continued moderation of inflation and lower interest rates. The Committee stressed the importance of economic policies that support recovery by strengthening private sector confidence through a firm and concerted pursuit of the objectives of the medium-term strategy aimed at achieving sustained economic growth and price stability. Progress toward these objectives has been made. Economic policy must also address the convergence required for economic and monetary union in Europe and cope with the demands on world saving resulting from the transformation of centrally planned economies in addition to the continued needs of developing countries. Assuring recovery and sustainable growth requires appropriate monetary and fiscal policies, measures to eliminate structural distortions and increase the productivity of investment, as well as renewed efforts to eliminate unproductive spending and reduce public sector deficits, thus helping bring about a lasting decline in long-term real interest rates.

Chairman of U.S. Federal Reserve Board Alan Greenspan (left) and U.K. Chancellor of the Exchequer Norman Lamont.

3. A rapid conclusion of the Uruguay Round would contribute to sustaining the recovery and medium-term growth. All countries stand to benefit from the Round and would suffer from a failure; greater access to industrial country markets is of particular importance for developing countries and those in transition to market economies. An early agreement is essential to restore dynamism to world trade and to maintain the credibility of the multilateral system. The success of the negotiations is a must.

4. The Committee welcomed the adjustment and reform programs increasingly implemented by developing countries and the resulting signs of a strengthening of economic performance in 1991–92. The momentum of these efforts to sustain growth and raise living standards must be maintained, with financial support from the international community, including for low-income countries under the IMF's enhanced structural adjustment facility.

The prolonged and severe drought in southern Africa and its consequences are cause for grave concern. The Committee called for efforts to alleviate these effects and to protect the courageous adjustment efforts and reforms under way in countries in the region.

The Committee welcomed the indications of improvement in the debt situation of developing countries as testimony to progress under the strategy. It welcomed the implementation by Paris Club creditors of greater debt relief for low-income countries, the

Guido Carli, Italy's Minister of the Treasury.

progress on bank debt-restructuring agreements in several cases, and the continued recovery of private spontaneous capital flows to a number of developing countries. It also noted the continued examination by Paris Club creditors of the special situation of some lower-middle-income countries on a case-by-case basis.

5. The Committee praised the reform efforts of countries with previously centrally planned economies and welcomed the courageous initial steps taken by the states of the former Soviet Union toward building market-oriented economic systems. Positive signs are beginning to appear in several Eastern European countries, including lower inflation, a growing private sector, and entry into new export markets. Reform efforts must be sustained, and in several countries steps should be taken speedily to prevent growing fiscal imbalances from eroding the gains achieved. The far-reaching price liberalization measures already adopted in the states of the former Soviet Union need to be supported by the implementation of firm financial and structural policies. Unsustainably high public expenditures, including in the military area, need to be further reduced, and the privatization or, at least, commercialization of large public enterprises should be pursued vigorously and early in the reform process. Legal and institutional changes also need to be introduced without delay to create a climate conducive to private sector activity, including private ownership of land, and foreign investment flows. 'n addition, securing unrestricted trade among these states, along with effective policy coordination among members of the ruble area, will be critical to minimize further economic dislocations.

6. The Committee warmly welcomed the approval by the Boards of Governors of the IMF and the World Bank of the terms and conditions for membership of the states of the former Soviet Union. A prompt implementation of strong IMF programs of stabilization and reform will be essential to help mobilize the substantial domestic and external resources required for sustainable growth. The Committee called on the international community to provide adequate technical assistance and financial support for such programs and to help finance a stabilization fund for the ruble provided that conditions are appropriate. It welcomed the fact that the participants in the General Arrangements to Borrow were prepared to support activation of the arrangements to supplement the IMF's resources to finance the stabilization fund.

7. The Committee expressed concern that the quota increase under the Ninth General Review still had not come into effect and asked all members that had not yet done so to complete as a matter of urgency the necessary procedures to this end. It called on the Executive Board to continue its consideration of international liquidity issues and the role of the SDR and to report to the Committee at its next meeting, to be held in Washington, D.C. on September 20, 1992.

Group of 10 Communiqué . . .

Signs of Recovery Are Now Visible

Following is the press communiqué of the Ministers and Governors of the Group of 10 (G-10), issued in Washington on April 27:

1. The Ministers and Central Bank Governors of the countries participating in the General Arrangements to Borrow [GAB] met in Washington on April 27, 1992. The meeting was chaired by Mr. D. Mazankowski, Minister of Finance of Canada. The Managing Director of the International Monetary Fund, Mr. M. Camdessus, took part in the meeting, which was also attended by Mr. J. C. Paye, Secretary-General of the Organization for Economic Cooperation and Development; Mr. H. Tietmeyer, Chairman of Working Party No. 3 of the Organization for Economic Cooperation and Development; Mr. H. Bockelmann, Economic Adviser of the Bank for International Settlements; and Mr. H. Christophersen, Vice-President of the Commission of the European Communities.

2. Ministers and Governors discussed the world economy on the basis of reports by the Managing Director and the Chairman of Working Party No. 3. They welcomed signs that the economies of their countries were recovering, in aggregate, under conditions of moderating rates of inflation in most countries. Ministers and Governors reaffirmed their commitment to continue close coordination of macroeconomic and structural policies to promote the conditions necessary for sustainable growth and price

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Donald Mazankowski, Canada's Minister of Finance and Chairman of the G-10.

stability. Ministers and Governors underscored the importance they attach to a rapid conclusion and successful outcome of the Uruguay Round of multilateral trade negotiations.

3. Ministers and Governors focused in their deliberations on the republics of the former Soviet Union and welcomed the speedy progress made toward membership of these states in the Bretton Woods institutions. They also noted that several states were working, with the assistance of the IMF and other institutions, to develop adjustment and reform programs. Ministers and Governors encouraged these states to adopt programs that would be sufficiently strong to merit support from the international financial community. Ministers and Governors supported the intention to establish a ruble stabilization fund, provided appropriate conditions were met. In this connection, they agreed, after reviewing the projected evolution of the IMF's liquidity position, that the IMF's resources would need to be supplemented for this purpose, and they were prepared to support the activation of the GAB if, after consultation, the Managing Director were to make such a proposal consistent with the provisions of the GAB.

4. Ministers and Governors urged countries which had not yet done so to take the necessary steps to strengthen the IMF by completing as rapidly as possible the necessary procedures for the increase in quotas under the Ninth Review to come into effect.

5. Ministers and Governors welcomed the progress achieved under the strengthened debt strategy, as evidenced, for example, by substantial declines in aggregate debt and debt-service ratios. They noted that increased adjustment efforts by many developing countries were now beginning to bear fruit.

Group of 7 Statement . . .

Need to Implement IMF Quota Increase Is Urgent

Following is the statement issued by the Ministers of the Group of 7 (G-7) after their meeting on April 26 in Washington:

1. The Finance Ministers and Central Bank Governors of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States met today in Washington. They assessed developments in their countries in light of their agreement of January 25 to intensify cooperative efforts to strengthen world economic growth with price stability and considered the appropriateness of further actions to this end. The Managing Director of the IMF participated in the discussions.

2. The Ministers and Governors noted that additional signs of recovery had emerged in some of their countries. Inflation has declined significantly, and inflationary pressures remain subdued in most of their countries. Short-term interest rates have fallen substantially in some of their countries. Consumer and business indebtedness problems have been reduced. External imbalances have been substantially reduced in most countries, though imbalances are persistent in some countries.

3. Nevertheless, the Ministers and Governors remained concerned that aggregate G-7 economic activity this year would be below potential, and growth would be inadequate to achieve a reduction in unemployment. In some countries recovery is still de-

German Finance Minister Theo Waigel (left),and U. S. Treasury Secretary Nicholas Brady.

layed, while growth has slowed significantly in other countries which had experienced relatively stronger growth earlier. They agreed that strengthening consumer and investor confidence and restoring sustained noninflationary growth are essential to increase employment, to promote growth in the developing world, as well as to support the successful transformation to market economies of the emerging democracies in Eastern Europe and the newly independent states of the former Soviet Union, and to preserve an open world trading system.

4. Against this background, the Ministers and Governors reviewed their economic policies with a view to strengthening world growth. With regard to fiscal policies, they emphasized the importance of movement to reduce government demands on private savings to facilitate needed capital spending. In that context, they underlined the need to reduce fiscal deficits in all countries with large budgetary imbalances through credible medium-term consolidation strategies. This is important both for countries with long-lasting fiscal imbalances and for countries experiencing exceptional adjustment challenges. Those countries with large fiscal deficits, relatively high inflation, excessive wage developments, and tight monetary policy should follow a balanced policy approach to facilitate improved growth. Certain other countries with large deficits that have experienced weak growth should avoid actions that would jeopardize medium-term efforts to consolidate budget positions. In those countries where fiscal imbalances have been contained and where recession has been avoided, appropriate measures should be pursued to enhance medium-term growth prospects while maintaining public expenditures under control. In those countries with large surpluses and declining growth, policymakers should be mindful of the possibilities of strengthening domestic demand through appropriate measures.

5. On monetary policies, the Ministers and Governors welcomed the reductions in cost and price pressures in most of their countries, which have permitted significantly lower interest rates in several cases. Nevertheless, real interest rates remain high, hampering global investment and growth. They were of the view that satisfactory progress on inflation, curbing excessive wage pressure, and progress in consolidating fiscal positions would create the basis for lower interest rates.

Michel Sapin (left), French Minister of State for Economy, Finance, and the Budget, and Jacques de Larosière, Governor of France's central bank.

6. The Ministers and Governors underscored the need for all countries to pursue vigorous structural reforms that would promote economic efficiency and enhance the role of market forces in the allocation of resources. In particular, they stressed the need to reduce subsidies and rigidities. Such policies will permit higher rates of growth without inflation as their economies expand. Improved market access and sustained expansion in world trade will also contribute to improved growth. In this connection, they re-emphasized the importance of bringing the Uruguay Round to a rapid and successful conclusion.

7. The Ministers and Governors also reviewed developments in foreign exchange markets. Exchange markets have been generally stable in recent months, though they noted that the decline of the yen since their last meeting was not contributing to the adjustment process. They agreed to continue to monitor market developments and reaffirmed their commitment to close cooperation in exchange markets, which can contribute to facilitating recovery.

8. The Ministers and Governors welcomed the early membership of the new states of the former Soviet Union in the IMF and the World Bank. They stressed the importance of the new states' adopting policies to stabilize and reform their economies on the basis of market principles. They encouraged all new states to create appropriate legal frameworks for market economies. They encouraged all new states to move forward rapidly to develop economic adjustment programs that can be supported by the international institutions. The Ministers and Governors underscored the readiness of their countries to assist the newly independent states in implementing effective and comprehensive market reforms. They underlined the importance of restoring creditworthiness, in particular by meeting their payment obligations. They welcomed the signing by additional new states of the Memorandum of Understanding on External Debt.

9. The Ministers and Governors were firmly of the view that the IMF must have adequate resources to support the historic changes under way in the former Soviet Union and other parts of the world. They therefore strongly encouraged all members of the IMF to take, on an urgent basis, the necessary steps to implement the agreed increase in IMF quotas and the related Third Amendment of the IMF's Articles.

10. The Ministers and Governors underscored the importance they attach to the work of the EBRD [European Bank for Reconstruction and Development]. They welcomed the intention of the Bank to give priority, within its energy operation, to nuclear power safety. They stressed their belief that the Bank should assist the transformation of the economies of Eastern Europe and of the new states. They believe the EBRD can best promote this objective by focusing its efforts on its present intensive program of private sector development and privatization of state-owned industry.

11. The Ministers and Governors noted the importance of the continuing development of third-world countries and welcomed the most recent forecasts regarding their growth prospects. They welcomed the progress in the international debt strategy, including the recent Argentine debt agreement, and encouraged the conclusion of negotiations between other countries and their commercial banks. The Ministers and Governors also welcomed the recent implementation by the Paris Club of their agreement to introduce enhanced debt relief for the poorest, most heavily indebted countries on a case-by-case basis and noted the continued examination of the special situation of some lower-middle-income countries on a case-by-case basis.

Group of 7 Statement on Its Meeting with the Russian Representatives. . .

A Commitment to Support Russia's Reform Efforts

Following is the statement issued by the Ministers of the Group of 7 (G-7) after their meeting with representatives of the Russian Federation on April 26 in Washington:

1. The Finance Ministers and Central Bank Governors of the G-7 countries met today with Deputy Prime Minister Yegor Gaidar and other representatives of the Russian Federation to discuss the historic events unfolding in Russia.

Russian Deputy Prime Minister Yegor Gaidar (left) with members of the press.

2. The Russian representatives described the economic situation in their country, Russia's financing requirements in 1992, the reforms that have already been implemented, and their intentions regarding the timing and adoption of additional policy measures which would permit Russia to implement an economic program meriting IMF support.

3. The Ministers and Governors welcomed the reforms already undertaken in Russia. They underscored that there is no productive alternative to establishing a market economy in Russia through the adoption of strong and comprehensive macroeconomic and structural reforms. They urged Russia and the IMF to complete negotiations at an early date on a comprehensive stabilization and reform program that provides for:

- Reduction of the budget deficit to stabilize the economy and reduce the role of the Government.
- Curbing monetary growth to bring inflation under control and stop the extension of credit to unviable enterprises.
- Establishment of the legal framework and contractual rights necessary to permit the development of a market economy, including privatization and private ownership.
- Reform of the agriculture and energy sectors to promote increased production and help earn foreign exchange.
- A foreign exchange mobilization system that enables the independent states of the former Soviet Union to meet their international payments.
- A unified and market-determined exchange rate set at a realistic level.

4. In this context, the Ministers and Governors expressed their commitment to support Russia's reform ef-

Petr Aven, Russian Minister for Foreign Economic Relations.

forts during the difficult period of transition by providing the recently announced $24 billion multilateral financial assistance package within the context of an agreed IMF program.

5. To this end, they are prepared to provide up to $18 billion through substantial bilateral assistance together with other countries, through considering further deferral of Russia's outstanding indebtedness and through supporting significant financial resources from the international financial institutions.

6. The Ministers and Governors are prepared to support G-10 [Group of 10] activation of the GAB [General Arrangements to Borrow] to finance a $6 billion currency stabilization fund for Russia. This fund, which would be established in conjunction with a comprehensive IMF program, is intended to help stabilize the ruble, facilitate convertibility of the currency, and promote confidence in the Russian reform effort.

Photo Credits: Denio Zara and Padraic Hughes for the IMF, pages 145 to 159; AP/Wide World page 160.

Development Committee Communiqué. . .

Speedy Completion of Uruguay Round Would Benefit All

Following is the press communiqué issued after the meeting of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee) on April 28 in Washington:

The forty-third meeting of the Development Committee took place in Washington D.C. on April 28, 1992, under the chairmanship of Mr. Alejandro Foxley, Minister of Finance of Chile.

Alejandro Foxley (left), Chile's Minister of Finance and Chairman of the Development Committee, and Lewis Preston, President of the World Bank.

Trade

The Committee's first annual review of the interlinkages between the policies of the industrial and developing countries focused on trade. Ministers agreed that the speedy completion of a successful Uruguay Round would be of enormous value to the world as a whole. Failure would mean delaying progress in areas provisionally negotiated during the Round; risking an increase in protectionist measures; and leaving the world trading system less flexible and less able to respond to changing conditions. They therefore urged all participants to recognize the international importance of the Round and to work urgently for an outcome which will result in a substantial reduction of trade barriers.

They welcomed the significant efforts made by many developing countries to undertake trade reform and open up their markets and the important trade moves many have been prepared to make as part of the Uruguay Round. To complement these measures, they encouraged industrial countries to accelerate the pace of their liberalization efforts. The Round's successful conclusion requires that all participants now make clear liberalization commitments. They encouraged all developing countries to take full advantage of the new market opportunities which the Round will bring. They stressed the importance to developing countries of open markets in industrial countries. Industrial countries in turn should maximize these new opportunities to enter their markets.

The Bank and the Fund should undertake and publish regular assessments of the impact of changes in world trade patterns on developing countries. They should support the efforts of developing countries with appropriate technical assistance, policy

advice, and financial assistance, where necessary, to help them enter new markets. Continued trade liberalization may also require financial support from other multilateral agencies and bilateral donors. The Bank and the Fund will continue to collaborate with the GATT [General Agreement on Tariffs and Trade] in promoting open trade policies.

While recognizing the need to control potential damage to the environment, Ministers agreed that such legitimate concerns should not be used by any country to justify new or existing barriers to trade. These should not be used to impose environmental policies on the exporting country save where there is international agreement that this is necessary.

Mahmoud Salah el din Hamed, Governor of Egypt's central bank.

Ministers noted the preliminary assessment of the probable impact of the Uruguay Round on certain groups of developing countries, notably those which are net food importers, or those whose existing preferential access would be eroded, and urged the Bank and the Fund to consider the case for transitional financial help to these countries.

Ministers also noted the emergence in many parts of the world of regional trading arrangements, a tendency which may increase if the Uruguay Round fails. Such arrangements should be outwardly oriented, should emphasize trade creation rather than trade diversion, and should not slow down the process of greater multilateral liberalization.

The Committee asked the Bank and the Fund to provide a progress report on trade issues for their September meeting and, once the Round is complete, a report on the implications of its outcome for the two institutions.

Environment

The Committee reviewed the interaction between environment and development policies and the preparations for the United Nations Conference on Environment and Development, which meets in Rio de Janeiro in June 1992.

Ministers agreed with the conclusion of the World Bank's forthcoming 1992 *World Development Report* that continued, and even accelerated, economic growth and human development can be consistent with improving environmental conditions, but this will require significant policy, program, and institutional changes in dealing with national and global environmental problems.

At the national level, developing countries will require a threefold strategy. First, the mutually reinforcing roles of sustainable development and environment must be vigorously exploited through sound macroeconomic policies which will promote growth and reduce poverty. The fight against poverty helps to preserve the environment. Second, such policies must be supplemented by an incentive structure which will discourage overuse of natural resources; developing countries will need external support for technology transfer and for capacity building in the environmental area. The top sectoral priorities for direct national action are clean water and sanitation, air quality, soil, water, and agricultural productivity, and natural habitats. Third, people and institutions (in public and private sectors alike) should be motivated to adopt less damaging behavior by bringing environmental considerations into their decisions—wherever possible by the use of market-based instruments which have the advantage of allowing reduction of environmental damages in the most cost-effective way. Ministers recognized that many developing countries will continue to need increased outside help to tackle these national environmental problems. They agreed that official support should be provided through existing development institutions, which have strengthened their capacity to deal with environmental activities. Existing lenders and donors can help through increased aid, some of it on concessional terms. World Bank-led consultative groups and UNDP [United Nations Development Program]-led round tables can help to coordinate such aid and to integrate country strategies with environmental action plans. Ministers agreed that consideration should be given to a special "Earth Increment" to the Tenth Replenishment of the International Development Association (IDA-10).

At the global level, Ministers accepted that certain problems transcend national boundaries and require internationally negotiated solutions. They recognized that in the absence of conclusive scientific proof, a precautionary strategy to address the risk of climate change required a broad international consensus, as did the need to preserve biodiversity. They noted the early progress made in the operations of the Global Environment Facility [GEF], which they considered should play a leading role as the multilateral funding mechanism to provide new and additional financial resources

through a mix of grant and concessional funding of incremental costs for achieving agreed global environmental benefits. The GEF should encourage universal membership. Its governance should ensure effective representation and participation by all countries. They asked the GEF participants to reach early decisions on the future coverage, governance, and financing of the Facility.

Ministers also welcomed the Bank's account of its own environmental activities, contained in two successive reports, and the related activities of the Fund. They noted the considerable progress made by the World Bank Group in adjusting its existing programs to accommodate environmental concerns; and the emphasis being given to such concerns in the design of the Bank's lending programs, in technical assistance, in the policy dialogue with developing countries, and in its research work. They supported the Bank's efforts to assist borrowers and donors to design and implement environmentally acceptable programs, including timely production of environmental impact assessments and environment action plans. They asked for a progress report for the September meeting on the outcome of the Rio Conference and the follow-up action planned.

Transfer of Resources

The President of the World Bank gave his regular overview of the prospects for resource flows to the developing countries. Ministers expressed their concern that the volume of official development assistance has not increased since last year and agreed to discuss all resource flows and transfers in more depth during their September meeting, as requested previously, in order to examine the scarcity of financial resources for development and to make concrete proposals.

Economies in Transition

The Committee noted the historic changes which have taken place since their last meeting and they warmly welcomed the states of the former Soviet Union into the two institutions. They received renewed assurances from the President of the World Bank that IBRD [International Bank for Reconstruction and Development] lending to the new members (and in Eastern and Central Europe) could be supplied without jeopardy to the borrowing requirements of the Bank's other developing country shareholders. They supported the Fund's current and proposed operations in this area and noted that the rapid acceptance of the new quota increase would allow increased Fund activities there. They recognized the need for close coordination between the Bank and the Fund and with other international organizations. They recognized the importance of integrating these countries quickly into the world trading system, and [into] the GATT, and the need for them to liberalize their own external trade regimes. They called on donor countries to provide additional funds for this area without diverting resources from other recipients.

IDA-10 and ESAF

The Committee was briefed on the current state of negotiations for IDA-10. Ministers recognized the many new calls on IDA from the increasing needs of the poorest countries which have traditionally benefited from concessional IDA lending, from newly eligible countries and new and potential members of the Bank Group, and from the increased importance of environmental concerns. They stressed once again the need to enhance the focus on poverty reduction in IDA operations. While recognizing the budgetary constraints of many donors, Ministers recognized the need for IDA Deputies to reach agreement by the end of 1992 on a Tenth Replenishment of IDA, preferably at a level substantially above that of IDA-9. They noted that the Bank would submit a further progress report at the time of its September meeting. They welcomed the recent expansion in the list of ESAF [enhanced structural adjustment facility]-eligible countries and the Fund's operations in support of adjustment efforts. The momentum of these efforts to sustain growth and raise living standards must be maintained, with financial support from the international community, including for low-income countries under the Fund's enhanced structural adjustment facility.

Marcilio Marques Moreira, Brazil's Minister for Economy, Finance, and Planning.

Poverty

The Committee received a progress report on the implementation of the Bank's poverty strategy and the related work of the Fund. Ministers regretted that because of the worsening economic situation, the Bank believed there would be over 50 million more poor people at the end of the century than in 1985, despite their earlier hope of a substantial reduction. Ministers reaffirmed their view that poverty reduction must remain, in the context of sustainable growth, the Bank Group's main priority. Every effort should be

made to apply this priority at the country level in the design of individual lending operations and the production of poverty assessments, and to allocate the necessary staff resources with appropriate skills. They noted that the Fund pays full regard to the impact of members' Fund-supported adjustment programs on the poor, and helps member countries to integrate social safety nets into their reform programs.

Drought in Southern and Eastern Africa

Ministers noted with grave concern the impact of the severe drought in southern and eastern Africa, and urged donors and the Bank and the Fund to provide maximum support for efforts coordinated by the United Nations to alleviate the effects of the drought.

Foreign Investment

Following the proposal by France at the April 1991 meeting, the Committee received a progress report on the study being made by the World Bank Group of the legal framework governing foreign direct investment. Ministers welcomed the work in hand as a basis for discussion of guidelines to help all countries create a hospitable environment for foreign direct investment. They agreed to return to this subject in the September meeting to discuss the proposed guidelines.

Debt

The Committee reviewed recent developments in international debt management. Ministers noted the continued progress being made under the international debt strategy in reinvigorating the reform efforts in debtor countries. They recognized, however, that for many heavily indebted countries, the debt overhang continued to pose a serious problem.

They welcomed the recent agreements reached with commercial banks, most recently by Argentina, covering nine countries accounting more than 60 percent of the commercial bank debt of the major debtor nations. Ministers encouraged all parties concerned to complete commercial bank agreements on a timely basis. They welcomed the decision to extend the IDA Debt Reduction Facility for a further two years.

Ministers noted that re-entry to the capital markets accelerated during 1991 for heavily indebted countries which have been successfully restructuring their economies. They noted that countries which had avoided debt rescheduling generally maintained their access to markets, but the Committee agreed that their efforts deserved continuing support.

They welcomed the consensus reached by the Paris Club on new debt treatment, including 50 percent debt relief, for the poorest and most heavily indebted countries which are pursuing appropriate adjustment policies. Members noted that the Paris Club has agreed to consider the stock of debt, under certain conditions, after a period of three to four years. They recognized that debt reduction, while necessary in certain cases, meant that certain creditors would be unable to advance new loans to the countries concerned.

Ministers considered the impact of current accounting, taxation, and supervisory practices upon the willingness of commercial banks to conclude debt-reduction agreements and noted that these had not been a significant barrier. They agreed to consider further whether such procedures seriously inhibited new lending.

The Committee agreed to meet again in Washington, D.C. on September 21, 1992, when, as already decided, it will discuss papers on the transfer of resources to developing countries and on the legal framework for the treatment of foreign investment.

Officials Willing to Activate GAB

(continued from front page) will be essential to mobilize the substantial domestic and external resources required for sustainable growth, the Committee noted. It called on the international community to provide adequate technical and financial support for such programs and, if conditions are appropriate, to help finance a stabilization fund for the ruble. The Committee welcomed the willingness of the participants in the General Arrangements to Borrow to support activation of these arrangements to supplement IMF resources to finance the stabilization fund.

The Interim Committee praised the reform efforts of the former centrally planned economies of Eastern and Central Europe. Positive signs are appearing in several countries, it noted, but reforms need to be sustained.

The Development Committee also endorsed the IMF's current and proposed operations in the states of the former Soviet Union and in the countries of Eastern and Central Europe. Rapid acceptance of the quota increase under the Ninth General Review would enable the IMF to step up its operations in these areas, it noted.

With respect to the world economic outlook, the Interim Committee noted that growth in the industrial countries is expected to be low this year partly because the recession has been more prolonged than expected. However, there are now signs that recovery is under way. Assuring recovery and sustainable growth requires appropriate monetary and fiscal policies, measures to eliminate structural distortions, and increases in the productivity of investment.

IMF ACTIVITIES

IMF Reviews Economies of Former U.S.S.R. Republics

The IMF is publishing a series of economic reviews of the independent republics that had constituted the U.S.S.R. The first group of studies examines the economies of Belarus, Estonia, Latvia, Lithuania, the Russian Federation, and Ukraine; also available are studies that provide overviews of the economy of the U.S.S.R. in 1991 and examine the common issues and interrepublic relations in the former U.S.S.R. Reviews of economic conditions in the other states will be published in the coming weeks.

Copies of the economic reviews of *Belarus, Estonia, Latvia, Lithuania, the Russian Federation,* and *Ukraine,* and *The Economy of the Former U.S.S.R. in 1991* and *Common Issues and Interrepublic Relations in the Former U.S.S.R.* are available for US$10.00 each. They may be purchased from Publication Services, Box S-347, International Monetary Fund, Washington, D.C. 20431, U.S.A.

Between September 1991 and March 1992, all 15 states of the former U.S.S.R. applied for membership in the IMF. During this period, IMF staff visited each of the states to hold discussions with the national authorities and provide economic policy advice, review the domestic procedural and legal steps required for IMF membership, and collect economic data to process the membership applications. Following these visits, reports were prepared on the economies of the new countries.

The reports are of an interim nature, as it is still too early to present a comprehensive assessment of most of the economies. The IMF is publishing them because of the importance of, and widespread interest in, the subject. The reports are based on information that was available in early 1992 and were prepared for the Executive Board of the IMF for the premembership economic reviews of the former republics of the U.S.S.R., which were conducted in late March and early April. Descriptions of developments and policies contained in these studies are those of the IMF staff and are not attributable to Executive Directors or the authorities of any of the individual states.

The reports were prepared by the IMF's European II Department, under the supervision of John Odling-Smee, Director, and draw on the expertise of other IMF departments. They are being edited and published by the IMF's External Relations Department (Ian McDonald, Chief Editor).

ANC Delegation Confers with IMF Officials

A delegation of 12 members of the African National Congress (ANC), including members of its National Executive Committee, the Confederation of South African Trade Unions (COSATU), and the Kagiso Trust, spent Tuesday, April 21 and much of Thursday, April 23 at IMF headquarters as part of a get-acquainted visit to the Bretton Woods institutions. The orientation program included meetings with IMF management and senior staff.

The Deputy Managing Director welcomed the delegation on the first day. He outlined the roles played by

the IMF's Board and its staff in formulating and disseminating policy advice and providing training facilities in member countries. He also provided a broad overview of the IMF's present role in the exercise of Article IV surveillance as well as its operational activities, particularly in Africa, Eastern Europe, and the republics of the former Soviet Union.

The ANC representatives met with the Managing Director later in the day. The discussions underlined that the twin challenges facing future South African policymakers were to overcome the legacy of apartheid while pursuing macroeconomic stability. In this context, it was important to balance the understandable need for human resource development and policies to address social expectations in the new South Africa with the pursuit of macroeconomic stability. The Managing Director counseled that the experiences of other countries showed that only sound economic policies and sustainable economic growth would provide a durable basis for government efforts to address social expectations. He also suggested that IMF technical assistance could contribute significantly in making the lessons of its worldwide experience available to South Africa.

In addition to informal discussions with several department heads, the broad-ranging program for the ANC representatives included presentations by senior staff of the African, Central Banking, European I, Exchange and Trade Relations, External Relations, and Fiscal Affairs departments as well as the IMF Institute. The many questions raised by the ANC representatives during the visit evidenced their keen interest in IMF activities, including an interest in IMF training and seminar facilities.

F. L. Osunsade,
IMF, External Relations Department

From the Executive Board . . .

Croatia: Application for Membership. The Government of Croatia has filed an application for membership in the IMF. Under the IMF's prescribed procedures for membership applications, the application must be considered, first, by the IMF's Executive Board. After its consideration, the Executive Board submits a report to the Board of Governors of the IMF with recommendations in the form of a "Membership Resolution." These recommendations cover the amount of quota in the IMF, the form of payment of the subscription, and other customary terms and conditions of membership. After the Board of Governors has adopted the Membership Resolution, the applicant country may become a member once it has taken the legal steps required under its law to enable it to sign the IMF's Articles of Agreement and to fulfill the obligations of IMF membership.

Press Release No. 92/32, April 20

Slovenia: Application for Membership. The Government of Slovenia has filed an application for membership in the IMF. Under the IMF's prescribed procedures for membership applications, the application must be considered, first, by the IMF's Executive Board. After its consideration, the Executive Board submits a report to the Board of Governors of the IMF with recommendations in the form of a "Membership Resolution." These recommendations cover the amount of quota in the IMF, the form of payment of the subscription, and other customary terms and conditions of membership. After the Board of Governors has adopted the Membership Resolution, the applicant country may become a member once it has taken the legal steps required under its law to enable it to sign the IMF's Articles of Agreement and to fulfill the obligations of IMF membership.

Press Release No. 92/33, April 20

Bosnia-Herzegovina: Application for Membership. The Government of Bosnia-Herzegovina has filed an application for membership in the IMF. Under the IMF's prescribed procedures for membership applications, the application must be considered, first, by the IMF's Executive Board. After its consideration, the Executive Board submits a report to the Board of Governors of the IMF with recommendations in the form of a "Membership Resolution." These recommendations cover the amount of quota in the IMF, the form of payment of the subscription, and other customary terms and conditions of membership. After the Board of Governors has adopted the Membership Resolution, the applicant country may become a member once it has taken the legal steps required under its laws to enable it to sign the IMF's Articles of Agreement and to fulfill the obligations of IMF membership.

Press Release No. 92/34, April 22

Lithuania: New Member. Lithuania today became a member of the IMF. The IMF's Articles of Agreement were signed in Washington, D.C. on behalf of Lithuania by Mr. Vytenis Aleskaitis, Minister of International Economic Relations. Lithuania's initial quota in the IMF is SDR 69 million (about $95 million).

With the admission of Lithuania, the membership of the IMF now totals 157 countries. The total of members' quotas in the IMF is SDR 91,221.55 million (about $125,026 million).

Press Release No. 92/36, April 29

Laos: Structural Adjustment Facility. The IMF has approved a credit equivalent to SDR 5.86 million (about $8 million) for the Lao People's Democratic Republic under the structural adjustment facility (SAF) in support of the country's third annual economic and financial program for 1992. This is the third installment of a three-year SAF credit equivalent to SDR 20.51 million (about $28 million), approved by the IMF in September 1989. Loans totaling SDR 14.65 million (about $20 million) have already been disbursed under two annual programs supported by the SAF.

The Lao Government initiated its medium-term economic and financial program in mid-1989 to restore growth, control inflation, and achieve a more favorable external position while implementing far-reaching, market-oriented reforms to improve efficiency in the allocation of economic resources. During the first two years of the program, the authorities acted decisively through tight limits on new credits to state enterprises, sharp increases in interest rates to positive real levels, and fiscal consolidation. Structural reforms under the program aimed at increasing the role of the private sector, emphasizing a market-determined price system, improving public resource mobilization, rationalizing public expenditure priorities, reforming and privatizing public sector enterprises, establishing a two-tier banking system, and liberalizing the trade system.

In response to these policies, economic growth recovered from a negative rate in 1988 to an average of 8 percent a year during 1989–91, and inflation declined sharply from 75 percent in 1989 to about 10 percent in 1991. The nonagricultural sector began to respond positively to the reforms, and the external position improved. These achievements are all the more impressive in light of the sudden collapse of virtually all trade with the former Soviet Union, which had previously accounted for about one fifth of total Lao trade.

The program for 1992 aims at a rate of GDP growth of 6.5 percent, a reduction in the rate of inflation to 6–7 percent by the end of the year, and a strengthening of the country's external payments position. To these ends, fiscal policy is designed to increase government saving, primarily through a stronger revenue effort, and will be accompanied by restrained credit expansion to prevent a resurgence of inflation. Key objectives of public investment are to create productive employment opportunities, to develop the national infrastructure, and to provide effective access by the poor to social services, particularly education, health care, and sanitation.

The program also envisages faster privatization of state enterprises and further strengthening of the legal and regulatory

Currency Units per SDR

APRIL

Currency	17	20	21	22	23	24	27	28	29	30
Deutsche mark	...	...	2.27308	2.27604	2.27427	2.26267	2.26823	2.27584	2.26801	2.27353
French franc	...	...	7.68836	7.68741	7.67493	7.6327	7.65851	7.67153	7.65091	7.66449
Japanese yen	192.693	192.786	183.733	183.479	183.25	184.479	184.749	181.889	182.067	182.863
Pound sterling	...	...	0.775997	0.776816	0.775481	0.773023	0.772119	0.773577	0.772676	0.776102
U.S. dollar	1.3844	1.38204	1.38654	1.38668	1.38601	1.37067	1.3736	1.37016	1.3715	1.38076
Argentine austral	...	1.3481	1.36257	1.36271	1.36303	1.35785	1.36083	1.35714	1.35847	...
Australian dollar	...	...	1.78129	1.78941	1.79431	1.81053	1.81837	1.81382	1.80247	1.80399
Austrian schilling	...	...	16.0041	16.0181	16.0165	15.9301	15.9687	16.0089	15.978	16.0078
Bahrain dinar	0.513814	0.512127	0.513443	0.513486	0.51382	0.515334	0.516474	0.51518	0.515684	0.51503
Bangladesh taka	53.2116	53.1196	53.2661	53.2615	53.2744	53.4522	53.5704	53.4362	53.4885	53.4206
Belgian franc	...	...	46.7663	46.8326	46.7858	46.5788	46.7986	46.7601	46.6687	46.7431
Brazilian cruzeiro	...	3020.9	...	3056.44	3089.1	3129.56	3186.97	3189.73	3223.92	3250.78
Canadian dollar	...	1.68707	1.61161	1.61993	1.61927	1.62496	1.6366	1.63789	1.63743	1.6381
Colombian peso	...	1009.68	1008.7	1009.35	1010.1	1014.03	...	...	...	1015.9
Danish krone	...	...	8.79964	8.80864	8.80052	8.78137	8.79173	8.78821	8.76937	8.78838
Ecuadoran sucre	...	...	...	...	...	...	...	...	...	...
Finnish markka	...	...	6.19545	6.19472	6.19078	6.16345	6.18689	6.17531	6.16784	6.18173
Guatemalan quetzal	...	...	...	...	...	...	...	...	...	...
Indian rupee	...	35.2632	35.3539	35.3575	35.366	35.4841	...	35.4734	35.5081	35.4631
Indonesian rupiah	2754.09	2752.68	2759.76	2760.04	2760.71	2769.92	2777.42	2769.09	2771.8	2769.86
Iranian rial	92.3	92.3	92.3	92.3	92.3	92.3	92.3	92.3	92.3	92.3
Iraqi dinar	0.424134	0.4234	0.424488	0.424532	0.424634	0.426062	0.426904	0.425924	0.426341	0.4256
Irish pound	...	...	0.9516	0.95323	0.951999	0.947883	0.950895	0.951719	0.9497	0.951417
Italian lira	1708.83	...	1707.94	1708.16	1710.61	1702.36	1706.86	1709.8	1708.08	1708.12
Kuwaiti dinar	...	0.402987	0.403722	0.403783	0.403398	...	0.406583	0.403882	0.404277	0.403929
Libyan dinar	0.396429	0.396429	0.396429	0.396429	0.396429	0.396429	0.396429	0.396429	0.396429	0.396429
Malaysian ringgit	3.48526	3.47116	3.47735	3.47829	3.47718	3.47864	3.48002	3.48296	3.4747	3.48344
Maltese lira	...	0.44089	0.443717	0.444181	0.442561	...	0.443389	0.442244	0.442705	0.442915
Mexican peso	...	...	...	...	...	...	...	...	...	4217.42
Nepalese rupee	58.2589	58.1531	58.3088	58.3145	58.3288	58.5233	58.6527	58.5068	58.5631	58.4888
Netherlands guilder	...	...	2.55834	2.56324	2.55922	2.54688	2.55668	2.5596	2.55318	...
Norwegian krone	...	...	8.89581	8.89808	8.88999	8.85462	8.88378	8.87042	8.8592	8.87194
Omani rial	0.524612	0.523704	0.52566	0.525104	0.525231	0.526984	0.528149	0.526827	0.527342	0.526673
Pakistan rupee	34.2838	34.2645	34.2924	34.2959	34.3042	34.4187	34.4948	34.4084	34.4421	34.3984
Portuguese escudo	...	...	184.064	192.434	192.915	192.047	191.706	191.825	191.35	191.221
Qatar riyal	4.99642	4.96783	4.97057	4.97109	4.97228	4.98687	4.9899	4.98738	4.99228	4.98583
Saudi Arabian riyal	5.10968	5.10094	5.11366	5.11447	5.11571	5.13278	5.14413	5.13125	5.13627	5.12975
Singapore dollar	...	2.26371	2.26816	2.26785	2.26512	2.27199	2.27715	2.26761	2.26983	2.26736
South African rand	...	...	3.94606	3.94136	3.94163	3.94386	3.95326	3.9454	3.94302	3.93802
Spanish peseta	...	...	142.504	142.607	142.631	143.198	142.408	142.491	142.477	142.636
Sri Lanka rupee	59.215	59.3188	59.442	59.4344	59.4214	59.6198	59.7518	59.602	59.6877	59.553
Swedish krona	...	...	8.21577	8.22278	...	8.17888	8.21069	8.19872	8.18717	8.1987
Swiss franc	...	...	2.10498	2.10656	2.10775	2.09629	2.10683	2.09018	2.08399	2.0882
Trinidad and Tobago dollar	5.8132	5.80314	5.81805	5.81885	5.82008	5.83648	5.85239	5.83774	5.84345	5.83803
U.A.E. dirham	5.08871	5.08005	5.0129	5.01341	5.01482	5.03136	5.04249	5.02986	5.03478	5.02939
Venezuelan bolivar	...	...	88.8284	88.8933	88.859	89.1213	89.387	89.1974	89.2504	89.2193

Note: The value of the SDR in terms of the U.S. dollar is determined as the sum of the dollar values, based on market exchange rates, of specified quantities of the first five currencies shown above. The value of the SDR in terms of any currency other than the U.S. dollar is derived from that currency's exchange rate against the U.S. dollar and the U.S. dollar value of the SDR. Exceptions are the Iranian rial and the Libyan dinar, the values of which are officially expressed directly in terms of currency units per SDR.

Data: IMF Treasurer's Department

framework to promote a larger role for the domestic and foreign private sector in economic activity. An important part of the reform strategy is to increase the integration of the Lao People's Democratic Republic into regional and world economies through further trade liberalization and encouragement of foreign investment.

The Lao People's Democratic Republic joined the IMF in 1961. Its quota is SDR 29.3 million (about $40 million), and its outstanding financial obligations to the IMF currently total the equivalent of SDR 14.65 million (about $20 million).

Press Release No. 92/37, May 4

Financial Activity in March

Argentina entered into an extended arrangement with the IMF in March for SDR 2.1 billion, which follows a stand-by arrangement (for SDR 780.0 million) adopted last July.

The IMF disbursed a total of SDR 333.3 million under the General Resources Account in March. Of this, it disbursed SDR 158.0 million under stand-by arrangements to Bulgaria (SDR 50.4 million), Egypt (SDR 43.6 million), Jordan (SDR 7.4 million), and the Philippines (SDR 56.6 million); SDR 79.6 million was disbursed under an extended arrangement to Hungary; and SDR 95.7 was disbursed under the compensatory and contingency financing facility to Bulgaria (SDR 56.9 million) and Hungary (SDR 38.8 million).

SDR Rates

Week Beginning	Rate of SDR Interest and Charges (percent)
May 4	6.43
May 11	6.47

The rate of SDR interest and charges is calculated weekly, by reference to a combined market interest rate, which is the weighted average of interest rates on specified short-term domestic obligations in the money markets of the five countries whose currencies constitute the SDR valuation basket (U.S. dollar, deutsche mark, Japanese yen, French franc, and pound sterling). The interest rates used are those that prevail each Friday. For the latest weekly rates call (202) 623-7171.

Data: IMF Treasurer's Department

Stand-By, Extended, Structural Adjustment Facility (SAF), and Enhanced Structural Adjustment Facility (ESAF) Arrangements as of March 31, 1992

(million SDRs)

Member	Date of Arrangement	Expiration Date	Amount Agreed	Undrawn Balance
Stand-by arrangements			**5,760.63**	**4,076.78**
Barbados	February 7, 1992	May 31, 1993	23.89	15.36
Brazil	January 29, 1992	August 31, 1993	1,500.00	1,372.50
Cameroon	December 20, 1991	September 19, 1992	28.00	20.00
Congo	August 27, 1990	May 26, 1992	27.98	23.98
Costa Rica	April 8, 1991	September 30, 1992	33.64	12.00
Côte d'Ivoire	September 20, 1991	September 19,1992	82.75	66.20
Czechoslovakia	January 7, 1991	April 3, 1992	619.50	99.56
Dominican Republic	August 28, 1991	March 27, 1993	39.24	39.24
Ecuador	December 11, 1991	December 10, 1992	75.00	56.44
Egypt	May 17, 1991	November 20, 1992	278.00	130.80
El Salvador	January 6, 1992	March 5, 1993	41.50	41.50
Gabon	September 30, 1991	March 23, 1993	28.00	24.00
India	October 31, 1991	June 30, 1993	1,656.00	1,386.00
Jamaica	June 28, 1991	June 30, 1992	43.65	32.75
Jordan	February 26,1992	August 25, 1993	44.40	37.00
Mongolia	October 4, 1991	October 3, 1992	22.50	11.25
Morocco	January 31, 1992	March 31, 1993	91.98	73.58
Nicaragua	September 18, 1991	March 17,1993	40.86	23.83
Nigeria	January 9, 1991	April 8, 1992	319.00	319.00
Panama	February 24, 1992	December 23, 1993	93.68	68.63
Papua New Guinea	July 31, 1991	September 30, 1992	26.36	26.36
Philippines	February 20, 1991	December 31, 1992	264.20	150.95
Romania	April 11, 1991	April 10, 1992	380.50	62.40
Extended arrangements			**12,158.85**	**6,262.54**
Argentina	March 31, 1992	March 30, 1995	2,149.25	2,149.25
Hungary	February 20, 1991	February 19, 1994	1,114.00	557.77
Mexico	May 26, 1989	May 25, 1992	3,263.40	233.10
Poland	April 18, 1991	April 17, 1994	1,224.00	1,147.50
Tunisia	July 25, 1988	July 24, 1992	207.30	51.83
Venezuela	June 23, 1989	March 22, 1993	3,857.10	1,851.50
Zimbabwe	January 24, 1992	January 23, 1995	343.80	272.60
SAF arrangements			**101.15**	**54.07**
Benin	June 16, 1989	June 15, 1992	21.91	6.26
Burkina Faso	March 13, 1991	March 12, 1994	22.12	15.80
Comoros	June 21, 1991	June 20, 1994	3.15	2.25
Lao P.D.R.	September 18, 1989	September 17, 1992	20.51	5.86
Rwanda	April 24, 1991	April 23, 1994	30.66	21.90
Sao Tome & Principe	June 2, 1989	June 1, 1992	2.80	2.00
ESAF arrangements			**2,110.73**	**897.35**
Bangladesh	August 10, 1990	August 9, 1993	345.00	115.00
Bolivia	July 27, 1988	July 2, 1992	136.05	22.68
Burundi	November 13, 1991	November 12, 1994	42.70	38.43
Guinea	November 6, 1991	November 5, 1994	57.90	49.22
Guyana	July 13, 1990	July 12, 1993	81.52	26.57
Kenya	May 15, 1989	August 1, 1992	261.40	45.23
Lesotho	May 22, 1991	May 21, 1994	18.12	13.59
Madagascar	May 15, 1989	May 14, 1992	76.90	25.63
Malawi	July 15, 1988	September 29, 1992	66.96	5.58
Mauritania	May 24, 1989	May 23, 1992	50.85	33.90
Mozambique	June 1, 1990	May 31, 1993	85.40	45.75
Senegal	November 21, 1988	June 2, 1992	144.67	—
Sri Lanka	September 13, 1991	September 12, 1994	336.00	280.00
Tanzania	July 29, 1991	July 28, 1994	181.90	160.50
Togo	May 31, 1989	May 30, 1992	46.08	15.36
Uganda	April 17, 1989	November 28, 1992	179.28	19.92
TOTAL			**20,131.36**	**11,290.74**

Note: Figures may not add to totals because of rounding.

Data: IMF Treasurer's Department

Camdessus Expresses Concern About Africa's Drought

Following are excerpts from a statement to the Interim Committee by IMF Managing Director Michel Camdessus:

Southern Africa is currently experiencing a severe drought, probably the worst in a hundred years. The situation is still very uncertain, with additional and increasingly alarming information becoming available almost every day. The drought apparently extends as far north as southern Kenya and is considered to have caused substantial damage, affecting, with varying intensity, at least 12 countries—Botswana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Rwanda, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. While relying on the international donor community to take the lead in mobilizing and channeling additional assistance to the affected countries, the IMF will also need to respond expeditiously to provide policy advice and, if warranted, financial assistance through its existing facilities.

For the southern African region as a whole, while the drought is likely to have far-reaching adverse effects—including those on domestic incomes, exports, capacity to import nonfood items, employment, and inflation—the most severe immediate impact is on the production of maize, the staple food crop. With stocks at a low level in most countries, the bulk of the crop losses will need to be offset by increased imports in 1992, at a cost currently estimated at $1.4–2.0 billion. With South Africa accounting for somewhat less than half this amount, the estimated cost for the other 12 countries is in the range of $0.8–1.2 billion. In addition, transportation constraints are likely to limit the ability of landlocked countries to bring in sufficient quantities in time to avoid widespread and severe hardship.

The drought has also affected livestock sectors, other food and export crops, and the availability of water and electricity. In most cases, however, it will be possible to quantify the overall damage more fully only over time.

The initial focus of efforts by the international community will necessarily be on food aid and other humanitarian assistance. IMF staff participated in a meeting on the drought in Paris in late March, convened by the World Bank. At that meeting, donors recognized the existence of a substantial problem that would need to be addressed by additional emergency assistance, but whose dimensions were not yet fully clear. The United Nations Food and Agriculture Organization and World Food Program have since taken initial steps to assess the situation with a view to coordinating a regional food aid effort.

While the provision of emergency food and humanitarian assistance is mainly a task for donors, the IMF has a responsibility to help the countries faced with this shock by assessing its adverse impact on the balance of payments and overall macroeconomic situation, recommending suitable policy responses and providing appropriate financial support. In particular, steps will need to be taken to safeguard the implementation of IMF-supported programs. Where IMF arrangements are in place or in prospect, these would provide an appropriate framework for providing financing based on adjustment measures aimed at containing the macroeconomic impact of the drought.

Most of the affected countries are eligible for assistance under the ESAF [enhanced structural adjustment facility]. Among these cases, where discussions are under way on annual programs or for the midterm review of these programs, the balance of payments impact of the drought could—

IMF Managing Director Michel Camdessus: the drought is likely to have far-reaching effects.

under present ESAF guidelines—be a factor in decisions on access, either at the time of approval or review of annual arrangements; other factors would include prospects for additional financing from other sources, the policy response, and the member's capacity to repay the IMF. The Executive Board is expected to discuss a number of the affected countries during the next two months. In general, it would be preferable to make maximum efforts to ensure that any additional financing is provided on highly concessional terms. However, for those

countries with ESAF arrangements where the external debt situation is relatively less burdensome, IMF financial assistance in connection with the drought could come from the General Resources Account (GRA). The issue of blending ESAF and GRA resources will also be given careful attention. In the case of countries which are receiving IMF support through a stand-by or an extended arrangement, but have recently become ESAF-eligible, financing can be provided under the CCFF [compensatory and contingency financing facility] for both export shortfalls and cereal import excesses. For countries with SAF [structural adjustment facility] arrangements, where there is no scope for increasing access, and possible access to GRA resources would be inconsistent with the country's debt situation, a special effort will be needed on the part of the donor community to provide the necessary drought-related assistance entirely on grant terms.

Careful attention will also have to be given to the needs of the drought-affected countries that are not ESAF-eligible and that do not have IMF-supported programs in place.

Under both stand-by and extended arrangements, the IMF's existing access policies provide scope for increases in access. Decisions would need to be taken on a case-by-case basis, with additional access being justified on the basis of the greater balance of payments need and the adoption of appropriately strengthened adjustment measures.

Financing can be provided under the CCFF for both export shortfalls and cereal import excesses. Modifications of the facility introduced in late 1990 provide additional flexibility for a rapid response. . . . In cases where the drought is causing an immediate severe strain on the balance of payments, the IMF would also be able to provide financing on similar terms, normally up to 25 percent of quota, through emergency assistance; such assistance would be based on the expectation that the alleviation of the immediate difficulties would facilitate the subsequent adoption of needed adjustment measures. However, where the affected countries that are eligible to use IMF resources can draw quickly under the CCFF, that would be the more appropriate approach.

The staff is continuing to work with the authorities in the affected countries, the World Bank, other United Nations agencies, and donors to assess the emerging social and balance of payments problems and design ways to address them. There is likely to be a particularly large need for donor assistance in the case of Zambia, which is ineligible to use IMF resources and has recently begun to implement a comprehensive adjustment program.

Africa's drought is probably the worst in a century.

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